

## Message Text

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PAGE 01 STOCKH 06906 171616Z  
ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 SSO-00 AID-05 CIAE-00 COME-00  
EB-07 FRB-03 INR-07 NSAE-00 TRSE-00 XMB-02 OPIC-03  
SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15  
STR-04 CEA-01 INRE-00 EURE-00 NSCE-00 L-03 PA-01  
PRS-01 /092 W

----- 045899 /50 45

O R 171540Z DEC 76  
FM AMEMBASSY STOCKHOLM  
TO SECSTATE WASHDC IMMEDIATE 9364  
INFO AMEMBASSY BONN  
AMEMBASSY COPENHAGEN  
AMEMBASSY HELSINKI  
AMEMBASSY LONDON  
AMEMBASSY OSLO  
AMEMBASSY PARIS  
AMEMBASSY REYKJAVIK  
AMEMBASSY ROME  
AMEMBASSY THE HAGUE  
USMISSION EC BRUSSELS  
USMISSION OECD PARIS UNN  
USMISSION MTN GENEVA

C O N F I D E N T I A L STOCKHOLM 6906

E.O. 11652: GDS  
TAGS: PFOR, SW  
SUBJECT: CALL ON PRIME MINISTER

1. I PAID MY FIRST OFFICIAL CALL ON PRIME MINISTER FALLDIN  
TODAY. THE MEETING WAS EXTREMELY CORDIAL AND LASTED  
NEARLY AN HOUR.

2. ALTHOUGH STRICTLY A COURTESY CALL, FALLDIN DID  
RAISE WITH ME A NUMBER OF QUESTIONS RELATED TO THE US  
ECONOMIC RECOVERY AND THE IMPORTANCE OF THE LATTER TO AN  
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EARLY AMELIORATION OF SWEDEN'S CURRENT TRADE PROBLEMS.  
HE EXPLAINED THAT THE PRINCIPAL SWEDISH PROBLEMS  
REVOLVED AROUND THE HIGH COST OF PRODUCTION AND THE  
TEMPORARY LOSS OF EXPORT MARKETS IN WESTERN EUROPE AND  
THE OECD AREA GENERALLY. INTERESTINGLY ENOUGH, HE DID  
NOT CRITICIZE AT ALL SWEDISH INDUSTRIAL WAGES WHICH MANY

ECONOMISTS IN SWEDEN AND ELSEWHERE VIEW AS A PRIME CAUSE OF PRODUCTION COSTS HERE. HE ADMITTED THAT 1977 WOULD BE A RATHER TOUGH YEAR FOR THE SWEDISH ECONOMY AND SAID A PRINCIPAL TASK OF HIS GOVERNMENT NOW IS TO EXPLAIN THE REALITIES OF SWEDISH TRADE DIFFICULTIES IN THE HOPE THAT ONCE UNDERSTOOD PEOPLE WOULD ACCEPT A SLIGHT DAMPENING OF DEMAND FOR IMPORTS AND OTHER GOVERNMENT MEASURES TO RESTORE BALANCE BETWEEN CONSUMPTION AND PRODUCTION.

3. REFERRING TO SWEDEN'S CONNECTION WITH THE GERMAN MARK THROUGH THE SNAKE, FALLDIN EXPRESSED HIS BELIEF THAT THE SWEDISH CROWN IN RELATION TO THE DOLLAR IS RATHER OVERVALUED, BUT SAID THAT AS LONG AS THE GERMAN ECONOMY REMAINS STRONG, SWEDEN MUST FOLLOW THE DEUTSCHE MARK. FALLDIN SAID SOME SWEDISH ECONOMISTS HAVE ADVISED HIM THAT THE KRONER SHOULD BE DEVALUED NOW AT THE BEGINNING OF HIS ADMINISTRATION RATHER THAN LATER. IF NOW, THE NECESSITY FOR IT COULD BE TIED TO THE ECONOMIC MESS BEQUEATHED BY THE SOCIAL DEMOCRATS, IF DONE MUCH LATER, THE STEP WOULD BE TAKEN AS REFLECTING THE INABILITY OF THE NON-SOCIALIST GOVERNMENT TO HANDLE ECONOMIC PROBLEMS. FALLDIN SAID THAT DEVALUATION WOULD CERTAINLY HAVE IMMEDIATE TRADE BENEFITS BUT THAT HIS PROBLEM THEN WOULD BE TO TRY TO PRESERVE THOSE ADVANTAGES WITHOUT PERMITTING EVEN MORE DIRE PROBLEMS FROM DEVELOPING.

4. IT IS MY DISTINCT IMPRESSION THAT FALLDIN IS SPENDING ALL OF HIS TIME WRESTLING WITH DOMESTIC ECONOMIC DEVELOPMENTS WITH LITTLE OR NO TIME FOR INVOLVEMENT IN TRADITIONAL FOREIGN POLICY MATTERS. I ATTEMPTED TO  
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ASSURE HIM THAT MOST ECONOMIC INDICATORS IN THE US AT THIS TIME WERE SHOWING IMPROVEMENT AND THAT PRESIDENT-ELECT CARTER AND THE NEW ADMINISTRATION WOULD UNDOUBTEDLY TAKE STEPS SOON AFTER JANUARY 20 TO STIMULATE THE AMERICAN ECONOMY. FALLDIN, IN CONCLUSION, SAID HOW NECESSARY IT WAS THAT THE AMERICAN ECONOMY RECOVER COMPLETELY BECAUSE OF THE DIRECT POSITIVE RELATIONSHIP THAT IT WOULD HAVE TO THE ECONOMIES OF WESTERN EUROPE INCLUDING SWEDEN.  
SMITH

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NNN



## Message Attributes

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**Current Classification:** UNCLASSIFIED  
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**Subject:** CALL ON PRIME MINISTER  
**TAGS:** PFOR, PDIP, SW, US, (FALLDIN, THORBJORN), (SMITH, DAVID S)  
**To:** STATE  
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